

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

October 20, 2021

Los Arroyos II, located at the Southeast Corner of Walnut Avenue and Farmersville Boulevard in Farmersville, requested and is being recommended for a reservation of \$1,609,203 in annual federal tax credits to finance the new construction of 54 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Self- Help Enterprises and will located in Senate District 14 and Assembly District 26.

The project financing includes state funding from the Joe Serna, Jr. Farmworker Housing Grant (FWHG) and Permanent Local Housing Allocation (PLHA) program(s) of HCD.

Project Number CA-21-118

Project Name Los Arroyos II
Site Address: Southeast Corner of Walnut Avenue
Farmersville, CA 93223 County: Tulare
Census Tract: 16.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,609,203	\$0
Recommended:	\$1,609,203	\$0

Applicant Information

Applicant: Self-Help Enterprises
Contact: Betsy McGovern-Garcia
Address: 8445 W. Elowin Court
Visalia, CA 93291
Phone: 559-802-1653
Email: betsyg@selfhelpenterprises.org

General Partner(s) / Principal Owner(s): Self-Help Enterprises
General Partner Type: Nonprofit Corporation
Parent Company(ies): Self-Help Enterprises
Developer: Self-Help Enterprises
Investor/Consultant: Community Economics, Inc.
Management Agent(s): A.W.I Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 9
Total # of Units: 54
No. & % of Tax Credit Units: 53 100%
Federal Set-Aside Elected: 40%/60%

Information

Set-Aside: Rural
Housing Type: Large Family
Geographic Area: Central Valley Region
TCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 11	20%
At or Below 50% AMI (Rural): 42	50%

Unit Mix

18 1-Bedroom Units
18 2-Bedroom Units
18 3-Bedroom Units
<u>54 Total Units</u>

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	30%	\$392
14 1 Bedroom	50%	\$653
4 2 Bedrooms	30%	\$471
14 2 Bedrooms	50%	\$785
3 3 Bedrooms	30%	\$543
14 3 Bedrooms	50%	\$906
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$752,500
Construction Costs	\$14,808,000
Rehabilitation Costs	\$0
Construction Contingency	\$965,400
Relocation	\$0
Architectural/Engineering	\$600,000
Const. Interest, Perm. Financing	\$659,604
Legal Fees	\$75,000
Reserves	\$132,894
Other Costs	\$903,653
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$21,097,051

Residential

Construction Cost Per Square Foot:	\$279
Per Unit Cost:	\$390,686
True Cash Per Unit Cost*:	\$372,089

Construction Financing

Source	Amount
US Bank	\$12,412,857
HCD - Serna	\$5,000,000
HCD - PLHA	\$196,079
Waived Impact Fees	\$204,266
GP Equity	\$925
Tax Credit Equity	\$1,467,593

Permanent Financing

Source	Amount
US Bank	\$492,000
HCD - Serna	\$5,000,000
HCD - PLHA	\$196,079
Waived Impact Fee	\$204,266
GP Equity	\$925
Deferred Developer Fee	\$800,000
Tax Credit Equity	\$14,403,781
TOTAL	\$21,097,051

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,753,868
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,880,029
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,609,203
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.89509

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	Large Family
Final:	43.513%

Significant Information / Additional Conditions

The 5.94 acres of the purchased site was originally part of a larger parcel of land that underwent a lot line adjustment and parcel split so as to separate the remaining commercial portion from the portion Self-Help Enterprises purchased that is zoned for Multifamily Residential. At 180 Day Readiness, this lot line adjustment should be verified by TCAC.

TCAC corrected a duplication of Service Amenities expenses at initial application, which removed \$19,400 from operating costs and results in the project's pro forma showing cash flow after debt service exceeding limits established by TCAC Regulations. Pursuant to TCAC Regulations 10327(g), the overage of cash flow is within the \$25,000 limit allowed by Committee. The applicant must correct the cash flow overage in the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC, including the placed-in-service submission for the issuance of the IRS 8609 forms.

The laundry room in the community building includes 13 washers/dryers for both phases (108 units) which exceeds the combined requirements for both phases. The laundry room in the community room building is accessible to both phases (Los Arroyos I and II) through the Joint Use Agreement.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit station or public bus stop	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.